

UNCLASSIFIED

Iraq

Status Report

August 18, 2010



Bureau of Near Eastern Affairs
U.S. Department of State

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HIGHLIGHTS



- **Iraqi Politicians Consider Creating New Position to Facilitate Government Formation (*POLITICAL*, page 5)**
- **Suicide Blast Targets Iraqi Army Recruits (*SECURITY*, page 10)**
- **Obama: U.S. On Track to Complete Troop Withdrawals (*DIPLOMATIC*, page 12)**
- **Iraqi Institutions Provide Loans for Farming and Irrigation Projects (*ECONOMIC*, page 20)**

POLITICAL – Governance & Legislation



Government formation negotiations continue

ISCI, Sadrists Vow to Not Accept Maliki as PM Candidate:

- The Iraqi National Alliance's statement regarding the necessity for the State of Law bloc to select a new prime ministerial candidate as a precondition to resuming negotiations is "final and irrevocable," according to a media advisor for Ammar al-Hakim, the leader of the Supreme Islamic Iraqi Council. But, he emphasized that if the State of Law bloc responded to these demands, talks could recommence.

Iraqiya Suspends Talks with SOL:

- The Iraqiya alliance has suspended talks with the State of Law coalition following comments made by Prime Minister Nuri al-Maliki that Iraqiya represented the Sunnis of Iraq. Iraqiya holds itself out as a non-sectarian party, and is demanding an apology.

POLITICAL – Governance & Legislation

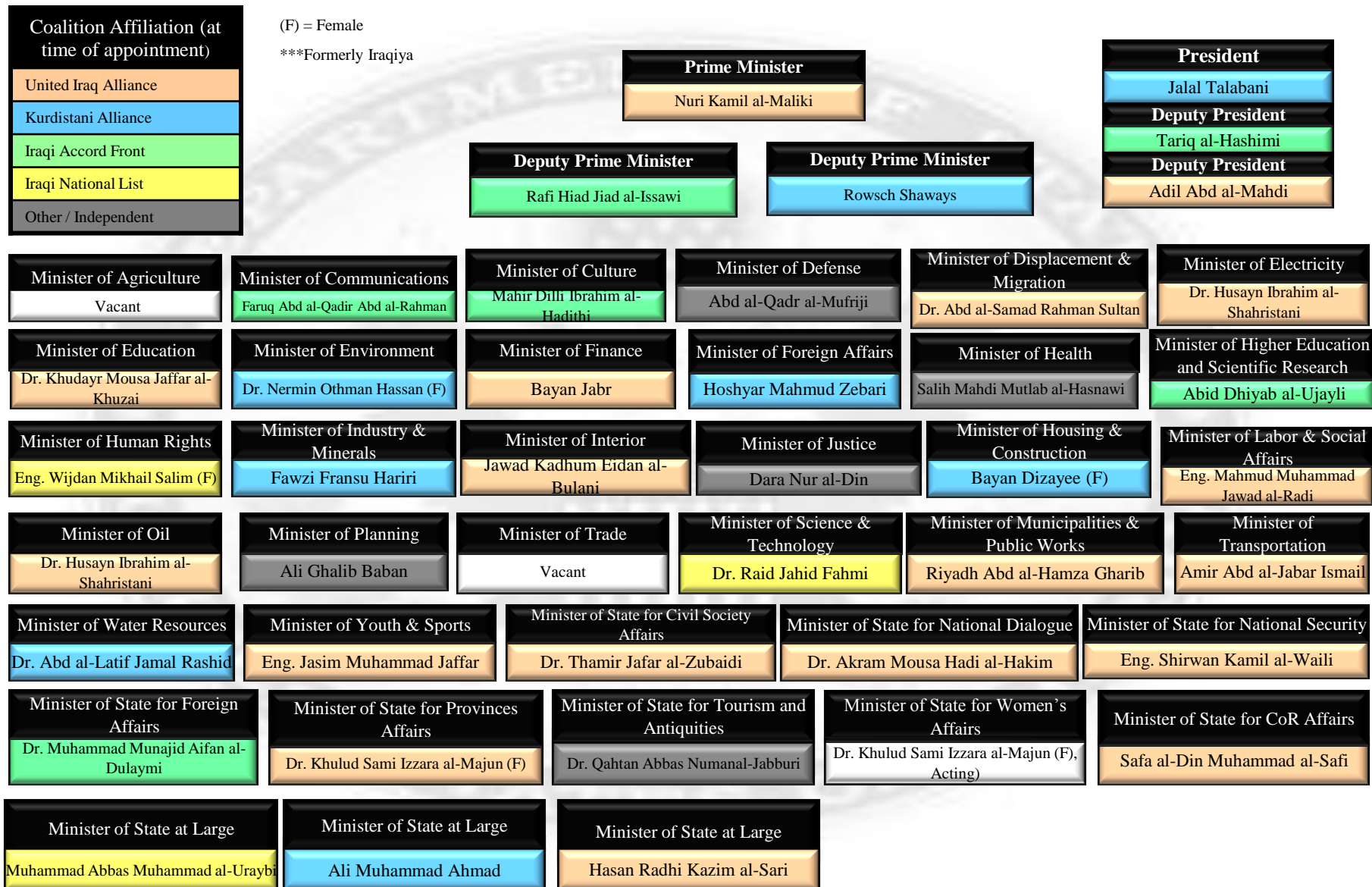


Government formation negotiations continue

Iraqi Politicians Consider Creating New Position to Facilitate Government Formation:

- **Senior Iraqi politicians are weighing the creation of a new federal government position that would help balance power between former Prime Minister Iyad Allawi's Iraqiya bloc and Prime Minister Nuri al-Maliki's State of Law bloc as part of a potential solution to the current stalemate. Iraqi politicians said the new body would issue binding decisions and effectively provide another layer of checks and balances on prime ministerial powers. However, Qassim al-Aaraji, a leading figure of the Iraqi National Alliance, stated that his bloc rejects the plan to divide authority between Allawi and Maliki since it would grant Maliki another term in office.**

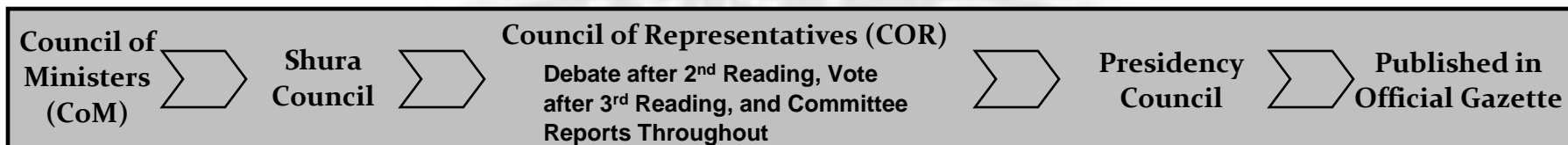
POLITICAL – Government of Iraq



POLITICAL – Key Legislative Issues



Legislative Process



- **Hydrocarbons Package:** The Framework Law was resubmitted to the Oil and Gas Committee on October 26, 2008 and then returned to the Council of Ministers. There has been no progress on the other three laws in the package.
- **NGO Law:** This law, approved March 3, will regulate the operations and funding of Non-Governmental Organizations operating within Iraq.

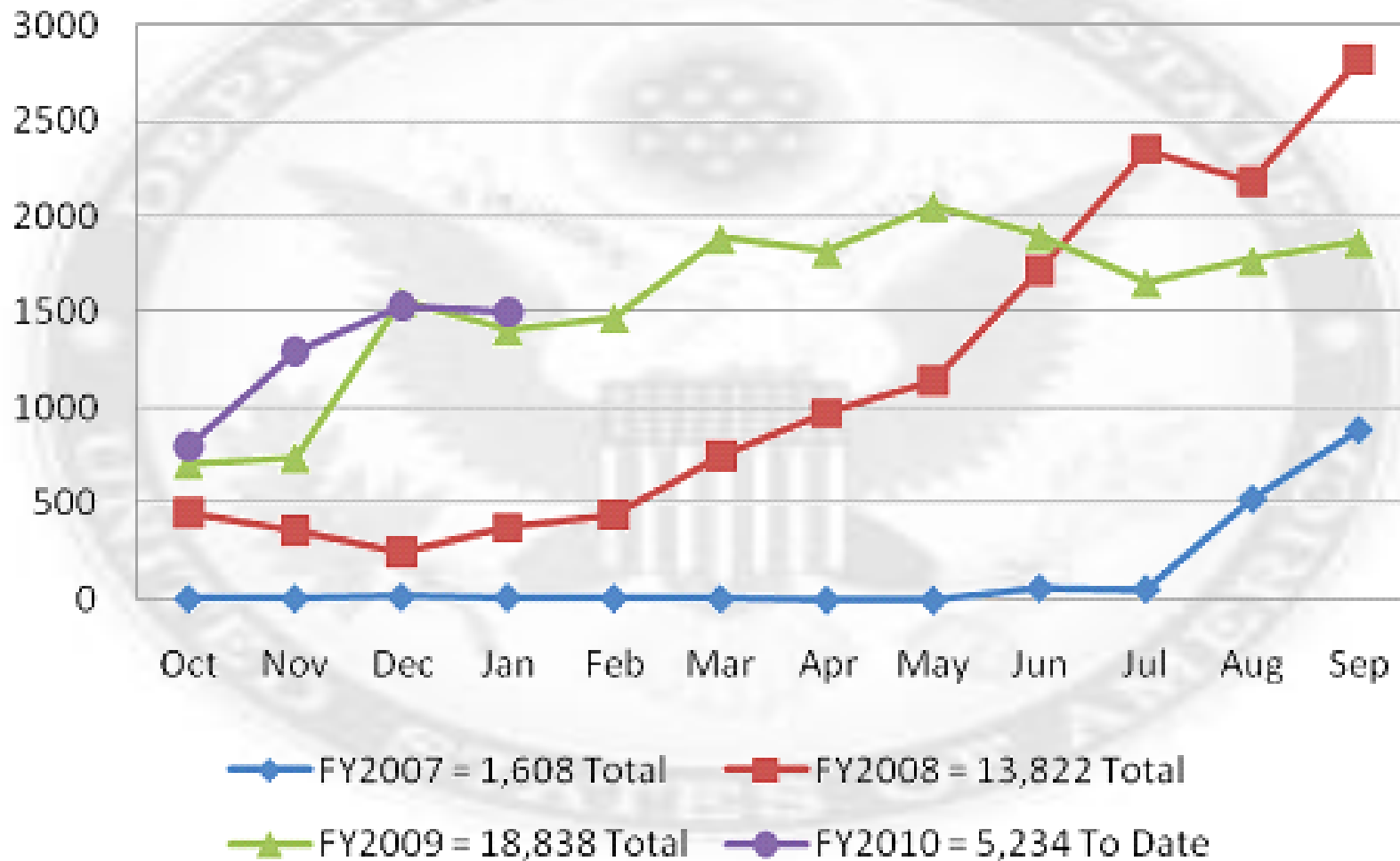
POLITICAL – Refugee Update



- **There are almost 229,000 Iraqi refugees currently registered with the UN High Commissioner for Refugees (UNHCR) in neighboring countries and an undetermined number of unregistered refugees. UNHCR reports that 1.5 million Iraqis remain internally displaced due to sectarian violence following the Samarra Mosque bombing of February 2006.**
- **Since the beginning of 2008, some 464,000 Iraqis have returned to their neighborhoods in Iraq. The majority of the Iraqis returning were internally displaced persons.**
- **In FY09, the U.S. Government contributed \$387 million to international and non-governmental organizations to assist Iraqi refugees, internally displaced, and conflict victims.**
- **Since the program's inception in FY07, 47,841 Iraqi refugees have been admitted to the U.S. for resettlement.**
- **As of September 2009, a total of 1,143 Special Immigrant Visas (SIVs) have been issued for Iraqi translators and interpreters (and their dependents) since FY07 (under the Section 1059 program).**
- **As of September 2009, a total of 1,716 SIVs have been issued for Iraqis employed by the U.S. government (and their dependents) since FY08 (under the Section 1244 program).**

POLITICAL – Refugee Update

Iraqi Admissions to the U.S.



SECURITY – Situation Update



Iraqi forces targeted by insurgents as security transition continues

Suicide Blast Targets Iraqi Army Recruits:

- **At least 48 Iraqis are dead after a suicide bomber exploded his vest amid hundreds of Iraqi army recruits outside a recruiting office in Baghdad. The attack occurred early on August 17, the last day of a week-long recruitment drive. The Ministry of Interior confirmed at least 48 dead and 129 wounded. No group has claimed responsibility.**

Explosion Kills Eight Iraqi Soldiers:

- **An explosion killed eight Iraqi soldiers in the Diyala Province when a house rigged with explosives detonated as they entered. Iraqi officials said that the soldiers were responding to an attack on the house by a group of armed men who had reportedly killed three people inside the house already. Iraqi officials say that the gunmen fled the area immediately after the explosion.**

SECURITY – Situation Update



Iraqi forces targeted by insurgents as security transition continues

Iraqi General Says Iraqi Security Forces Ready:

- **The Commander of all Iraqi ground forces, Gen. Ali Ghidan, stated in an interview that Iraqi Security Forces are ready to assume responsibility for Iraq's security as U.S. forces cease combat operations at the end of August, and leave Iraq in late 2011. Gen. Ghidan emphasized the successful transition of security responsibilities between USF-I and Iraqi Security Forces that has already occurred in Iraq over the past 18 months.**

Iraqi Forces Welcomed Back to Military Base:

- **In another step towards the successful drawdown of U.S. Forces in Iraq, the 4th Battalion of the 17th Iraqi Army Brigade was welcomed by U.S. service members to the Joint Base Balad (JBB) on August 16, a base that has not been occupied by ISF since 2003. "We are thankful for everything the United States has done for our country," said Iraqi Lt. Gen. Rashid Flayah Muhammad Al-Halifi, the Samarra Operations Center commander. "We are willing and prepared to take on the responsibility of providing security for Iraq." The battalion is the first of several that will move to the Base as the GOI assumes control and responsibility.**

DIPLOMATIC – Political Engagement



Normalization of U.S.-Iraqi relations continues

Obama: U.S. On Track to Complete Troop Withdrawals:

- **President Barack Obama is satisfied that the United States can safely end its combat role in Iraq at the end of this month and meet the deadline for removing all U.S. troops from the country by the end of 2011. White House Press Secretary Robert Gibbs stated, "The President heard directly from Gen. Odierno, who said that we were on target to complete our drawdown by the end of August. Already we have removed over 80,000 troops from Iraq since President Obama took office."**

Christopher Hill Concludes His Assignment as Ambassador to Iraq:

- **Ambassador Christopher Hill concluded his 16-month tenure as the U.S. Ambassador to Iraq on August 12. Prior to his departure, Ambassador Hill commented on government formation negotiations, saying, "I think the process is going forward, and as I get ready to leave here I see...the prospects that we're going to see a new government as early as a few weeks from now." His service in Baghdad marks the culmination of a 33-year career in the Foreign Service.**

DIPLOMATIC – Economic Engagement



Iraq navigates reintegration into world economy

Iraq Weighs Impact of WTO Inclusion on Fragile Labor Market:

- The Iraqi Minister of Labor and Social Affairs has spoken out against Iraq's inclusion into the World Trade Organization (WTO). His ministry analyzed the impact of WTO participation on Iraq's labor and unemployment levels and concluded that inclusion would negatively impact Iraq's work efficiency.

Sweden to Invest in Iraqi Power Stations and Housing Projects:

- Swedish trade officials met with the Basrah Investment Commission on August 12 to discuss the potential for Sweden's participation in a comprehensive provincial development initiative. The Commission Chief noted the delegation's interest in infrastructural investment, specifically in electrical power stations and housing units.

ECONOMIC – Oil



Crude Oil Update:

Price averages in world markets closed with the following prices:

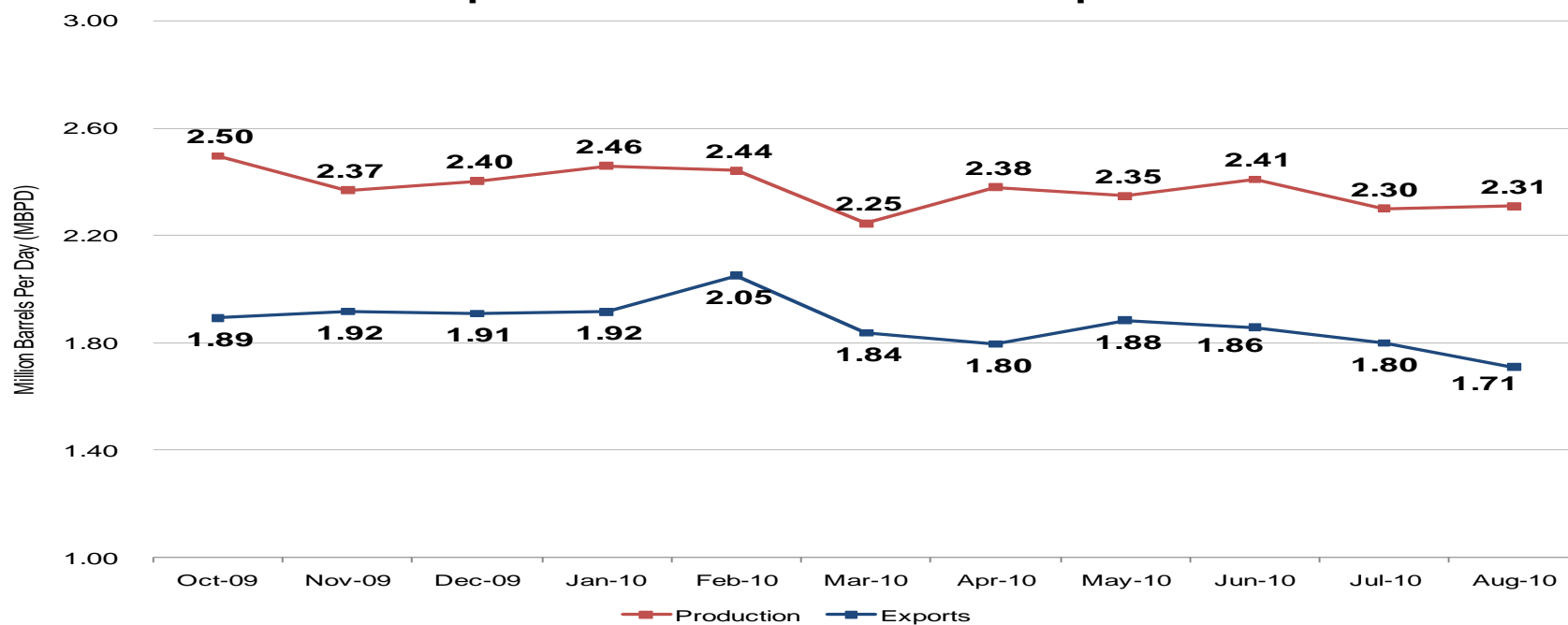
Basrah Light at \$75.70/barrel

Dated Brent at \$77.28/barrel

WTI Cushing at \$78.18/barrel

Oman/Dubai at \$75.22/barrel

Iraq Crude Oil Production and Exports



Note: Y-Axis starting point has been changed from zero to 1.0

Revenue estimates:

2008: \$61.9 Billion

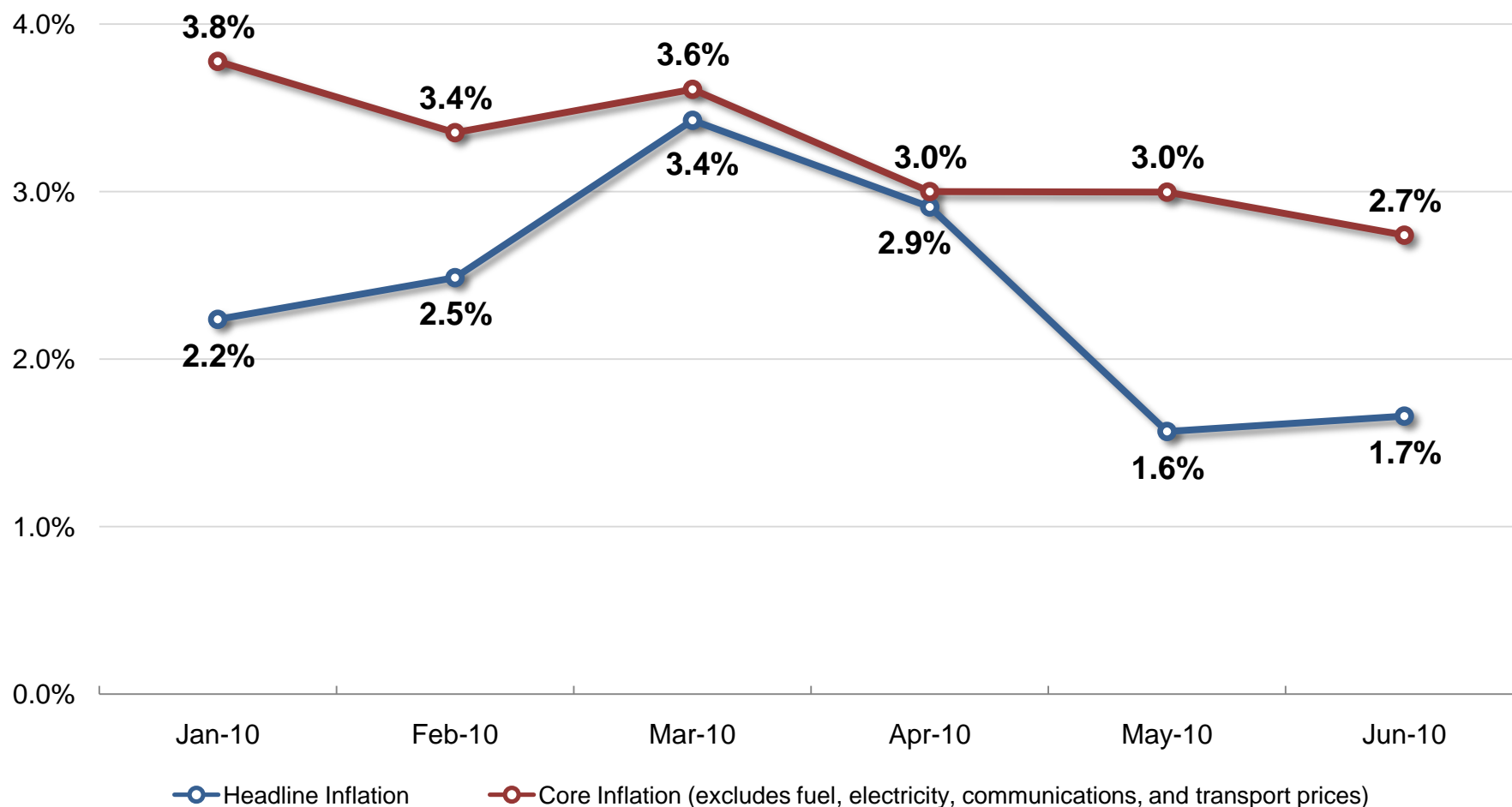
2009: \$39.2 Billion

2010 (ytd): \$28.6 Billion

ECONOMIC – Fiscal and Monetary Affairs



Iraq: Year-on-Year Inflation



• In 2010, the Central Bank of Iraq began using a new Consumer Price Index. As a result, year-on-year inflation data prior to January 2010 cannot be directly compared.

ECONOMIC – Fiscal and Monetary Affairs



Economic Indicator	This Week	Last Week	Last Month	Last Year
Iraqi Debt Swap Bond Prices and Yields				
Price (USD)	\$85.67	\$84.83	\$83.15	\$64.50
Yield	7.26%	7.36%	7.55%	10.32%

ECONOMIC – Energy



Attack on Iraq-Turkey pipeline temporarily halts production

Turkish Authorities Quell Fire before Accusing PKK of Attack:

- **The flow of crude oil supplies along the Iraq-Turkey export pipeline was suspended on August 10 following an attack on the pipeline from within Turkey. Turkish authorities are accusing the Kurdish Workers' Party (PKK) of attacking the pipeline, which carries crude oil from Kirkuk to European and Mediterranean markets via Ceyhan. In recent months, rebels have attacked the pipeline on both sides of the border as part of a larger insurgency, compromising its ability to operate at its full capacity of roughly 432,000-480,000 bpd. The PKK has not yet claimed responsibility for this particular attack.**

ECONOMIC – Energy



Attack on Iraq-Turkey pipeline temporarily halts production

Ministry of Oil has Sufficient Reserves and Capabilities to Meet Record-High Demands:

- The Ministry of Oil (MOO) has released a statement indicating record-high levels of demand for gasoline. Demand for gasoline between May-July 2010 has increased by an average of 18% in comparison to the same time period in 2009, with Baghdad alone realizing a demand of 6.5-7 million liters per day. The Ministry cited people's dependence on gasoline to fuel household power generators, which serve as an alternative to often unreliable electricity supply. Despite the high demand, the ministry stressed its ability to supply gasoline through sufficient reserves and production capacity.

Iraq Would Permit Iran To Transport Natural Gas Exports Intended for Syria Through Its Borders:

- Following a meeting with an Iranian delegation on August 11, a spokesman for the Iraqi Ministry of Oil confirmed on August 12 that Iraq would permit Iran to transport natural gas heading for Syria through its borders. It is unclear when Iraq would permit Iran to transit gas through the country as there are no oil or gas pipelines between the two countries.

ECONOMIC – Agriculture



Iraqi agricultural institutions and farmers see gains in production and funding

Iraqi Rice, Wheat Products Sufficient to Sustain Ration Program:

- The head of the Iraqi Grain Board, which purchases and allocates staple crops as part of a rationing program, notes that Iraq will have enough wheat reserves to distribute to the public until the end of 2010. The agency will soon award a rice tender intended to provide the country with sufficient rice supplies until next year's solicitation; this tender will supplement the 1.866 million tons of wheat and 450,000 tons of barley that Iraqi farmers sold to the Board from 2009-2010.

UN Expands "Cash-For-Work" Program in Diyala and Baghdad:

- With \$5 million in support from the USG, the UN World Food Program has expanded its Cash-For-Work initiative to include more than 11,000 people in Diyala and Baghdad. The program aims to help Iraq's most vulnerable citizens, including internally displaced persons and returnees, by providing them three-month agricultural work opportunities compensated at ten dollars per day. The program fulfills a double function by also tackling local agricultural challenges, as workers repair sewage and irrigation canals, plant trees, and provide sanitation services as is needed in their communities.

ECONOMIC – Agriculture



Iraqi agricultural institutions and farmers see gains in production and funding

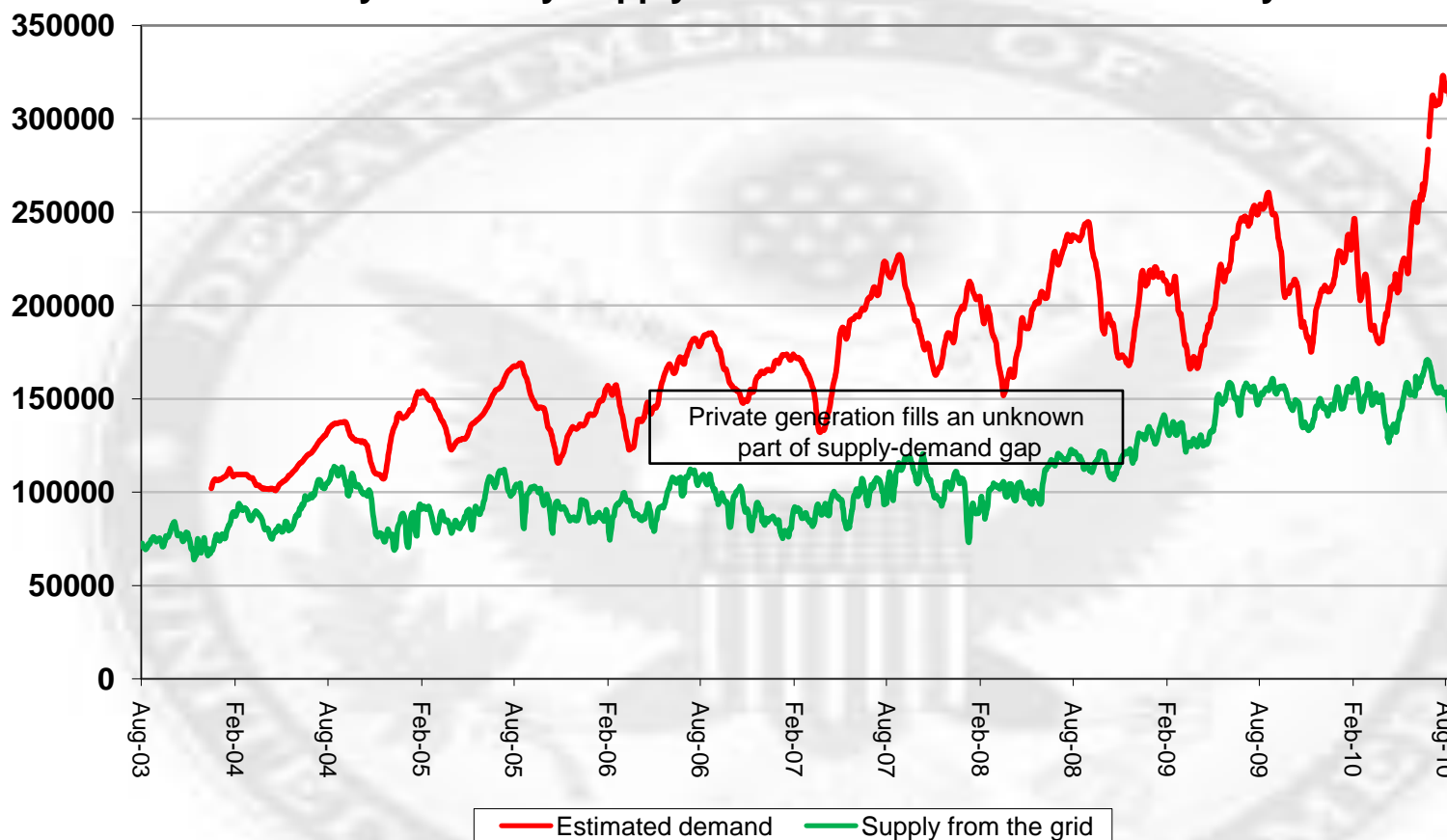
Iraqi Institutions Provide Loans for Farming and Irrigation Projects:

- **The Iraqi Agriculture Ministry issued a press release announcing the approval of over 1,000 loan applications, which will provide \$12.8 million in support of farmers and farming projects across the country. On the same date, the Karbala Agriculture Department reported that 2,181 agricultural loans had been given to local farmers in recent months. Additionally, the Maysan Department of Agriculture, the Maysan PRT, and USF-I joined in awarding 20 local farmers micro-grants of \$5,000 each to pursue ventures including green house construction and drip irrigation systems installation. The grants are intended to help farmers shift from subsistence farming to growing crops for both commercial sale and household consumption.**

ECONOMIC – Public Services (Electricity)



Daily Electricity Supply from the Grid and Estimated Daily Demand



- Electricity supply from the grid August 10-16 was 7% below the same period in 2009 and met 46% of estimated demand compared with 61% for the year-earlier period.

ECONOMIC – Private Sector



GOI dedicates resources to housing construction and commercial renovations

Baghdad's Hotels Will Be Refurbished To Accommodate 2011 Arab Summit Guests:

- **Iraqi Foreign Minister Hoshyar Zebari announced that the GOI will spend \$300 million to renovate six major Baghdad hotels to meet international standards in time for the 2011 Arab Summit. The Government will fund 25% of the costs needed for refurbishment and issue interest-free loans for the remaining amount. Turkish, Jordanian, and Iraqi firms will renovate approximately 1,000 rooms for the guests attending Iraq's first Arab Summit since 1978.**

Housing Project Will Build One Million New Homes throughout Iraq:

- **Iraq's National Authority for Investment has chosen 35 international firms to build one million new housing units throughout Iraq, including 244,000 units in densely-populated Baghdad. If final contracts are signed within three months as is expected, the project will be on track to be completed within two years. The current estimate for the project's total cost is \$50 billion.**

Baghdad and Beyond



An al-Amal 4-H Club Gardening Project

Baghdad

“...we will help Iraq's institutions strengthen their capacity to protect the rule of law, confront corruption, and deliver basic services.”

President Barack Obama

Recent Highlights

The al-Amal 4-H Club recently formed in Baghdad, with support from the Embedded Provincial Reconstruction Team (ePRT) Baghdad-South. President of the al-Amal Center for Economic Development, Mohammad Laftah, says the club offers children in Mahmoudiya “a new future through 4-H.” With a long history of building future leaders committed to learning and public service, 4-H clubs are well-established in the U.S. and are catching on in Iraq. In recent weeks, the al-Amal club has visited local museums, planted trees, and learned basic skills related to animal husbandry and computers.

Najaf

The Najaf PRT attended a dedication of a \$950,000 project that the PRT is coordinating in conjunction with the Iraqi Police and the U.S. Army Corps of Engineers that will provide a new Explosives Ordinance Disposal (EOD) compound to the Iraqi Police. The compound will include: a perimeter wall, a parking area, an EOD building for 100 explosive technicians, water storage and distribution, a power generation system and a sewage collection and treatment system.



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Please forward all questions and/or comments to:

NEA-I-IPOG-DL@state.gov



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